

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

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COMMUNICATION WITH AUDIT COMMITTEES

The Honorable Mayor
and Members of the City Council
Devine, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Devine, Texas for the year ended September 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Devine, Texas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City of Devine, Texas's financial statements were:

Management's estimate of the unavailable tax revenue is based on historic collection percentages. We evaluated the key factors and assumptions used to develop the deferred tax revenue in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of the allowance for depreciation are based on the estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop the allowance for depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the City's proportionate share of the collective net pension liability and net OPEB liability is based on actuarial assumptions performed by the state auditor on the City's pension plan. We reviewed these assumptions and calculations by the state auditor and individual testing we did at the City level in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. A copy of the adjustments proposed and accepted by management are attached.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 28, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Devine, Texas's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Council and administration of the City of Devine, Texas and is not intended to be used and should not be used by anyone other than these specified parties.

Sincerely,

Coleman, Horton and Company, LLP

Certified Public Accountants

CITY OF DEVINE
 2020-2021 Annual Audit
 09/30/2021
 AJE - General Fund
 AJE.GF

Type	Fund	Acct #	Account Name	AJERef	DR	CR
R	01	300-01-300	PROPERTY TAX-CURRENT	1		1,211.62
R	01	300-01-302	PROPERTY TAX-DELINQUENT	1		730.98
R	01	300-01-304	PROPERTY TAX-PENALTY/INT.	1		445.37
A	01	11-120	DELINQUENT TAX RECEIVABLE	1	1,827.40	
A	01	11-121	ALLOWANCE FOR DELINQUENT TAXES	1		182.74
A	01	11-122	Accounts Rec. Other -Appraisal District	1	1,948.21	
L	01	21-270	RES. FOR DEL. TAX RECEIVABLE	1		1,204.90

To adjust taxes receivable, allowance, and deferred at year-end

A	01	11-198	SUSPENSE	2		139.89
R	01	300-09-384	MISCELLANEOUS REVENUE	2		8,650.96
A	01	11-129	A/R - MISC AR BILLING	2		256.52
A	01	11-139	ALLOW FOR UNCOLL ACCOUNTS	2		16.55
A	01	11-126	A/R UB BILLING-GENERAL FUND	2	189.35	
L	01	21-260	UNAPPLIED CREDITS - MISC AR	2	8,874.57	

To reclassify Suspense Asset account and reclassify to miscellaneous revenue for year-end adjustments

A	01	11-189	Due To/From Sewer/Water	3	47,940.88	
R	01	300-04-356	GRANT REVENUE - FEDERAL	3		47,940.88

To reclassify ramp grant revenue to correct fund and tie in year end due to/from

R	01	300-05-386	INTEREST EARNED	4	3,754.90	
A	01	11-123	ACCRUED INTEREST RECEIVABLE	4		3,754.90

To tie to year end receivable balance.

A	01	11-125	MUNICIPAL CRT A/R ALLOWANCE	5	10,844.31	
A	01	11-124	MUNICIPAL COURT ACCTS REC.	5		21,688.62
L	01	21-272	RESERVE FOR MUNICIPAL CRT A/R	5	10,844.31	
R	01	300-02-320	MUNICIPAL COURT REVENUE	5	5,493.14	
L	01	21-220	COURT COST ON FINES PAYABLE	5		5,493.14

To tie to year end balance per court workpaper

L	01	21-256	ACCRUED ANNUAL LEAVE	6	7,360.83	
L	01	21-257	ACCRUED SICK LEAVE	6		5,549.40
L	01	21-258	ACCRUED BANKED LEAVE	6		1,035.78
E	01	420-01-400	SALARIES	6		775.65

To tie to year end vacation/sick leave balances.

E	01		Debt Issuance costs	7	25,000.00	
E	01		Debt Issuance costs	7	35,000.00	
L	01	21-286	TAX NOTES PAYABLE 2020 (GC)	7	450,000.00	
L	01	21-288	2021 C/O AIRPORT	7	965,000.00	
R	01		Other Resources-Debt Proceeds	7		475,000.00
R	01		Other Resources-Debt Proceeds	7		1,000,000.00

To reclassify new debt to correct accounts.

CITY OF DEVINE
 2020-2021 Annual Audit
 09/30/2021
 AJE - General Fund
 AJE.GF

Type	Fund	Acct #	Account Name	AJERef	DR	CR
E	01	495-00-195	Transfer to TIFF Fund	8	92,610.16	
A	01	11-191	DUE TO/FROM TIFF	8		92,610.16

To reclassify

A	01	11-127	A/R SALES TAX	9	34,180.92	
A	01	11-128	FRANCHISE TAX RECEIVABLE	9	92.67	
R	01	300-01-310	CITY SALES TAX REVENUE	9		34,180.92
R	01	300-01-312	FRANCHISE TAX - UTILITIES	9		92.67

To tie to year end receivable balances.

A	98	11-102	ACCOUNTS PAYABLE CHECKING	10	57,461.99	
A	98	11-280	DUE TO A/P FROM GENERAL FUND	10		40,214.97
A	98	11-283	DUE TO A/P FROM SEWER/WATER	10		17,247.02

To record outstanding deposit and tie to due to/due from balance.

E	01	470-07-456	AIRPORT FUEL PURCHASE	11	14,230.57	
R	01	300-04-356	GRANT REVENUE - FEDERAL	11		14,230.57

To reclassify to correct account.

R	01	300-04-364	EMERGENCY MANAGEMENT	12	598,279.18	
L	01		Deferred Revenue	12		598,279.18

To reclassify to deferred revenue - City has not spend the funds yet - will purchase generators

E	01	462-09-585	PRINCIPAL-CAPITAL LEASE	13	45,265.67	
E	01	462-09-586	INTEREST EXPENSE	13	5,861.17	
E	01	462-05-461	MANAGEMENT FEE	13		51,126.84

To record capital lease activity for the year

2,422,060.23	2,422,060.23
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CITY OF DEVINE
 2020-2021 Annual Audit
 9/30/2021
 AJE Water/Sewer

Type	Fund	Acct #	Account Name	AJERef	DR	CR
A	03	11-126	ACCOUNT RECEIVABLE	1	1,060.39	
R	03	300-07-340	WATER REVUENU	1	8,976.68	
L	03	21-261	DEPOSITS REFUNDED	1		1,965.92
A	03	11-139	ALLOWANCE FOR UNCOLLECTIBLE	1		12,559.49
R	03	300-07-440	SEWER REVENUE	1	4,488.34	

Adjust receivable, allowance, and deposits

A	03	11-163	2001CONST. IN PROGRESS	2		999,464.24
A	03	11-176	EQUIPMENT	2	999,464.24	

Reclassify water meter replaceme ent to in service ewquipment.

E	03	491-09-590	WATER DEPRECIATION	3	49,973.16	
A	03	11-179	ACCUMULATED DEPRECIATION	3		49,973.16

Add depreciation expense on meters placed in service.

L	03	21-300	NET PENSION LIABILITY	4	8,063.00	
L	03	21-301	NET OPED LIABILITY	4		10,879.00
A	03	11-196	DEF. RESOURCE OUTFLOW	4		37,590.00
L	03	21-302	DEF. RESOURCE INFLOW	4	3,708.00	
A	03	11-197	DEF. RESOURCE OUTFLOW OPEB	4	5,121.00	
L	03	21-303	DEF. RESOURCE INFLOW OPEB	4		115.00
E	03	491-01-424	PENSION EXP	4	14,698.00	
E	03	492-01-424	PENSION EXP	4	16,994.00	

Record changes in GASB 68 and GASB 75 balances.

L	03	21-252	ACCRUED BOND INTEREST	5	812.72	
E	03	491-10-650	INTEREST EXP	5		772.08
E	03	492-10-650	INTEREST EXP	5		40.64

Adjust year end accrued interest payable.

L	03	21-256	ACCRUED ANNUAL LEAVE	6	5,937.13	
L	03	21-257	ACCRUED SICK LEAVE	6	4,797.60	
L	03	21-258	ACCRUED BANKED VACATION	6	3,808.10	
E	03	491-01-400	PAYROLL	6		7,271.42
E	03	492-01-400	PAYROLL	6		7,271.41

Adjust year end balances for vacation and sick leave

A	03	11-148	ACCRUED INTEREST RECEIVABLE	7		5,086.93
R	03	300-05-385	INTEREST INCOME	7	5,086.93	

Adjust year end accrued interest receivable

1,132,989.29 1,132,989.29

CITY OF DEVINE
2020-2021 Annual Audit
09/30/2021
AJE - Debt Service Fund
AJE.DS

Type	Fund	Acct #	Account Name	AJERef	DR	CR
A	02	11-100	PROPERTY TAX -DELINQUENT	1		1,886.41
A	02	11-121	ALLOWANCE FOR DELINQUENT TAX	1	188.64	
L	02	21-270	RESERVE FOR DELQ TAXES REC.	1	1,697.77	

To adjust taxes receivable, allowance, and deferred at year-end

A	02	11-122	Due From Appraisal District	2	30.92	
R	02	300-01-302	PROPERTY TAX -DELINQUENT	2		13.88
R	02	300-01-304	PENALTY & INTEREST	2		17.04

To record receivable from Appraisal District

1,917.33	1,917.33
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CITY OF DEVINE
2020-2021 Annual Audit
9/30/2021
AJE - Special Revenue Funds
AJE.SR

Type	Fund	Acct #	Account Name	AJERef	DR	CR
R	06	300-01-386	LODGING TAX REVENUE	1		735.26
A	06	11-133	LODGING TAX RECEIVALBE	1	735.26	
To adjust year-end receivable						
L	10	21-290	NOTE PAYABLE LYTLE STATE	2	135,000.00	
R	10	300-01-999	NOTE PAYABLE PROCEEDS	2		135,000.00
To reclass note payable proceeds						
R	10	300-01-300	PROPERTY TAX REVENUE	3	355.00	
E	10	400-02-400	GENERAL GOVERNMENT EXP	3		355.00
To reclass Stuart Title refund						
A	10	11-191	DUE TO/FROM GF	4	92,610.16	
R	10	300-01-899	TRANSFERS IN	4		92,610.16
To reclassify to correct account.						
					228,700.42	228,700.42

Adjustments to Worksheet by Adjustment Number
FY 2021

City of Devine

3/11/2022

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
Adjustment Number: 1		Column: Account Groups - Beginning		<input type="text"/>
1710	Land Purchase and Improvements	160,727.00		
1730	Buildings	1,076,051.00		
1740	Improvements other than Buildings	2,744,961.00		
1750	Furniture and Equipment	1,592,023.00		
1760	Capital Assets	226,514.00		
1780	Construction in Progress	332,250.00		
1731	Accumulated Depreciation - Buildings		(830,939.00)	
1741	Accumulated Depreciation - Other Improvements		(2,644,927.00)	
1751	Accumulated Depreciation - Furniture & Equipment		(1,309,674.00)	
1761	Accumulated Depreciation - Capital Assets		(98,707.00)	
3800	Net Investment in Capital Assets		(1,248,279.00)	
9100	Beginning Fund Balance / Net Assets		(1,248,279.00)	
9200	Ending Fund Balance/Net Assets	1,248,279.00		
		<u>7,380,805.00</u>	<u>(7,380,805.00)</u>	

Remarks: Record beginning of the year capital assets for governmental.

Adjustment Number: 2		Column: Account Groups - Beginning		<input type="text"/>
2540	Capital Leases Payable - Noncurrent		(122,466.00)	
3800	Net Investment in Capital Assets	122,466.00		
9100	Beginning Fund Balance / Net Assets	122,466.00		
9200	Ending Fund Balance/Net Assets		(122,466.00)	
		<u>244,932.00</u>	<u>(244,932.00)</u>	

Remarks: Post beginning of year long term debt for governmental.

Adjustment Number: 3		Column: Debt and Capital Items		<input type="text"/>
7911	Issuance of Bonds	1,475,000.00		
7914	Noncurrent Loans	135,000.00		
2510	Bonds Payable - Noncurrent		(1,610,000.00)	
3800	Net Investment in Capital Assets	1,610,000.00		
9200	Ending Fund Balance/Net Assets		(1,610,000.00)	
		<u>3,220,000.00</u>	<u>(3,220,000.00)</u>	

Remarks: Record current year new debt issued.

Adjustment Number: 4		Column: Debt and Capital Items		<input type="text"/>
2540	Capital Leases Payable - Noncurrent	45,266.00		
6710	Principal		(45,266.00)	
3800	Net Investment in Capital Assets		(45,266.00)	
9200	Ending Fund Balance/Net Assets	45,266.00		
		<u>90,532.00</u>	<u>(90,532.00)</u>	

Remarks: Record current year debt principal paid.

Adjustments to Worksheet by Adjustment Number

FY 2021

City of Devine

3/11/2022

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
Adjustment Number: 5		Column: Reclassifications		
2540	Capital Leases Payable - Noncurrent	47,938.00		
2260	Capital Leases Payable - Current		(47,938.00)	
2510	Bonds Payable - Noncurrent	1,610,000.00		
2240	Notes Payable - Current		(135,000.00)	
2506	Other Debt Due Within One Year		(165,000.00)	
2550	Other Long Term Debt Payable - Noncurrent		(1,310,000.00)	
		1,657,938.00	(1,657,938.00)	

Remarks: Set up current requirements for debt.

Adjustment Number: 6		Column: Allocated Depreciation		
6100	Administration	4,803.00		
6110	Municipal Court	599.00		
6120	Street	9,876.00		
6130	Police	26,482.00		
6140	Health & Sanitation	2,272.00		
6150	Animal Control	6,889.00		
6190	Parks & Recreation	15,736.00		
6200	Golf Course	45,767.00		
6210	Library	2,797.00		
6220	Airport	33,084.00		
6230	Community Center	599.00		
6240	Code Enforcement	1,776.00		
1731	Accumulated Depreciation - Buildings		(24,791.00)	
1741	Accumulated Depreciation - Other Improvements		(34,821.00)	
1751	Accumulated Depreciation - Furniture & Equipment		(46,316.00)	
1761	Accumulated Depreciation - Capital Assets		(44,752.00)	
3800	Net Investment in Capital Assets	150,680.00		
9200	Ending Fund Balance/Net Assets		(150,680.00)	
		301,360.00	(301,360.00)	

Remarks: Record current year depreciation expense.

Adjustment Number: 7		Column: Debt and Capital Items		
2140	Accrued Interest Payable		(587.00)	
3900	Unrestricted	587.00		
9100	Beginning Fund Balance / Net Assets	587.00		
9200	Ending Fund Balance/Net Assets		(587.00)	
		1,174.00	(1,174.00)	

Remarks: Record beginning of the year accrued interest.

Adjustment Number: 8		Column: Debt and Capital Items		
2140	Accrued Interest Payable	587.00	(7,458.00)	
6720	Interest	7,458.00	(587.00)	

Adjustments to Worksheet by Adjustment Number
FY 2021

City of Devine

3/11/2022

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
3900	Unrestricted	6,871.00		
9200	Ending Fund Balance/Net Assets		(6,871.00)	
		14,916.00	(14,916.00)	
Remarks: Adjust accrued interest to year end balance.				
Adjustment Number: 9 Column: Reclassifications				
9100	Beginning Fund Balance / Net Assets		(83,714.00)	
5010	Taxes - General Levy	78,375.00		
5011	Taxes - Debt Service Levy	5,339.00		
		83,714.00	(83,714.00)	
Remarks: Recognize beginning of year unavailable tax revenue.				
Adjustment Number: 10 Column: Reclassifications				
5110	Property Taxes	2,822,275.00		
5010	Taxes - General Levy		(1,111,529.00)	
5011	Taxes - Debt Service Levy		(2,325.00)	
5180	Other Taxes		(1,708,421.00)	
		2,822,275.00	(2,822,275.00)	
Remarks: Reclassify current tax collection.				
Adjustment Number: 11 Column: Reclassifications				
2601	Unavailable Revenue - Property Taxes	83,221.00		
5010	Taxes - General Levy		(79,580.00)	
5011	Taxes - Debt Service Levy		(3,641.00)	
3900	Unrestricted		(83,221.00)	
9200	Ending Fund Balance/Net Assets	83,221.00		
		166,442.00	(166,442.00)	
Remarks: Recognize end of year unavailable tax receivable.				
Adjustment Number: 12 Column: Reclassifications				
7915	Transfers In	92,610.00		
8911	Transfers Out		(92,610.00)	
		92,610.00	(92,610.00)	
Remarks: Remove transfers				
Adjustment Number: 13 Column: Reclassifications				
3480	Retirement of Long-Term Debt	41,621.00		
3490	Other Restricted Fund Balance	60,740.00		
3600	Unassigned Fund Balance	2,352,383.00		
3860	Restricted for Debt Service		(41,621.00)	
3890	Restricted for Other Purposes		(60,740.00)	
3900	Unrestricted		(2,352,383.00)	

Adjustments to Worksheet by Adjustment Number

FY 2021

City of Devine

3/11/2022

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
		2,454,744.00	(2,454,744.00)	
Remarks: Reclassify equities				
<u>Adjustment Number:</u> 14		Column: GASB 68		
2580	Net Pension Liability		(1,741,618.00)	
2602	Deferred Inflow Related to Pension Plan		(74,679.00)	
1997	Deferred Outflow Related to Pension Plan	318,201.00		
3900	Unrestricted	1,498,096.00		
9100	Beginning Fund Balance / Net Assets	1,498,096.00		
9200	Ending Fund Balance/Net Assets		(1,498,096.00)	
		3,314,393.00	(3,314,393.00)	
Remarks: Record beginning GASB 68 balances.				
<u>Adjustment Number:</u> 15		Column: GASB 68		
2580	Net Pension Liability	11,736.00		
2602	Deferred Inflow Related to Pension Plan	5,398.00		
1997	Deferred Outflow Related to Pension Plan		(54,715.00)	
6100	Administration	5,398.00		
6110	Municipal Court	3,676.00		
6120	Street	1,069.00		
6130	Police	20,281.00		
6150	Animal Control	1,137.00		
6190	Parks & Recreation	651.00		
6200	Golf Course	1,592.00		
6210	Library	1,966.00		
6220	Airport	418.00		
6240	Code Enforcement	1,393.00		
3900	Unrestricted	37,581.00		
9200	Ending Fund Balance/Net Assets		(37,581.00)	
		92,296.00	(92,296.00)	
Remarks: Record current year GASB 68 changes.				
<u>Adjustment Number:</u> 16		Column: GASB 75		
2585	Net OPEB Liability		(83,307.00)	
2603	Deferred Inflow Related to OPEB		(4,386.00)	
1998	Deferred Outflow Related to OPEB	15,122.00		
3900	Unrestricted	72,571.00		
9100	Beginning Fund Balance / Net Assets	72,571.00		
9200	Ending Fund Balance/Net Assets		(72,571.00)	
		160,264.00	(160,264.00)	
Remarks: Record beginning GASB 75 balances.				
<u>Adjustment Number:</u> 17		Column: GASB 75		

Adjustments to Worksheet by Adjustment Number
FY 2021

City of Devine

3/11/2022

Control Code	Control Description	Adjustment		Adjustments Must be approved by Audit Client. APPROVED BY:
		Debit	Credit	
2585	Net OPEB Liability		(15,835.00)	
2603	Deferred Inflow Related to OPEB		(168.00)	
1998	Deferred Outflow Related to OPEB	7,455.00		
6100	Administration	836.00		
6110	Municipal Court	243.00		
6120	Street	1,208.00		
6130	Police	4,613.00		
6190	Parks & Recreation	259.00		
6200	Golf Course	148.00		
6210	Library	362.00		
6150	Animal Control	447.00		
6220	Airport	95.00		
6230	Community Center	19.00		
6240	Code Enforcement	318.00		
3900	Unrestricted	8,548.00		
9200	Ending Fund Balance/Net Assets		(8,548.00)	
		<u>24,551.00</u>	<u>(24,551.00)</u>	

Remarks: Record current year GASB 75 changes.

Adjustment Number: **18** Column: Reclassifications

6260	Capital Outlay		(964,538.00)	
1710	Land Purchase and Improvements	336,862.00		
1730	Buildings	13,925.00		
1740	Improvements other than Buildings	440,914.00		
1750	Furniture and Equipment	96,444.00		
1780	Construction in Progress	76,392.00		
3800	Net Investment in Capital Assets		(964,537.00)	
9200	Ending Fund Balance/Net Assets	964,537.00		
6100	Administration	1.00		
		<u>1,929,075.00</u>	<u>(1,929,075.00)</u>	

Remarks: Record current year capital asset additions for governmental.

City of Devine, Texas

**Annual Financial Report
For the Year Ended
September 30, 2021**



COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

CITY OF DEVINE, TEXAS
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
SEPTEMBER 30, 2021

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**CITY OF DEVINE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
and Members of the City Council
City of Devine, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Devine, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Devine, Texas basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Devine, Texas, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, the Schedule of Changes in Net Pension Liability and the Related Ratios, the Schedule of Contributions, and the Schedule of Changes in the Total OPEB Liability and Related Ratios on pages 4-10 and 40-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Devine, Texas basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022, on our consideration of the City of Devine, Texas internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Devine, Texas internal control over financial reporting and compliance.

Coleman, Horton and Company, LLP

Certified Public Accountants
Uvalde, Texas
February 18, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The annual financial report of the City of Devine (the City) is presented in five sections, Management's Discussion and Analysis (this Part), Basic Financial Statements, Required Supplementary Information, Combining and Individual Nonmajor Fund Statements and the federal section. This section of the City's annual financial report presents our discussion and analysis of the financial performance during the fiscal year ending September 30, 2021. Please read it in conjunction with the City's financial section, which follows.

Overview of the Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in *more detail* than the government-wide statements.
 - * The *governmental funds* statement tell how *general government* services were financed in the *short term* as well as what remains for future spending.
 - * *Proprietary fund* statements provide information about financial operations in which the City provides certain utility services for the benefit of its citizens.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets, deferred outflow of resources and liabilities and deferred inflow of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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The two government-wide statements report the City's *net position* and how they have changed. Net position—the difference between the City's assets, deferred outflows, liabilities, and deferred inflows is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as public safety, streets and parks, health and sanitation, and general administration. Property taxes and service fees finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of government-wide statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

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Financial Highlights

* The City's combined net position was \$7,961,692 at September 30, 2021, an increase of \$597,612.

* During the year, the City's revenue was \$7,042,457 as reflected below:

Governmental Activities			
	Current Year	Prior Year	Change
a) Taxes	\$ 2,821,782	\$ 2,584,044	\$ 237,738
b) Charges for Services	905,354	910,974	(5,620)
c) Investment Earnings	5,015	12,741	(7,726)
d) Grants and Contributions	499,233	391,630	107,603
e) Other	165,774	169,662	(3,888)
Sub-total	<u>\$ 4,397,158</u>	<u>\$ 4,069,051</u>	<u>\$ 328,107</u>

Business-type Activities			
	Current Year	Prior Year	Change
f) Charges for Services	\$ 2,634,647	\$ 2,570,268	\$ 64,379
g) Investment Earnings	10,652	81,930	(71,278)
h) Grants	-	275,000	(275,000)
i) Others	-	-	-
Sub-total	<u>\$ 2,645,299</u>	<u>\$ 2,927,198</u>	<u>\$ (281,899)</u>
Total Revenue	<u>\$ 7,042,457</u>	<u>\$ 6,996,249</u>	<u>\$ 46,208</u>

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* During the year, the City's expenses were \$6,444,845 as reflected below:

Governmental Activities			
	Current Year	Prior Year	Change
a) Administration	\$ 455,017	\$ 557,683	\$ (102,666)
b) Municipal Court	103,140	96,931	6,209
c) Street	445,840	372,393	73,447
d) Police	1,109,861	1,127,063	(17,202)
e) Health and Sanitation	788,810	772,600	16,210
f) Animal Control	100,562	110,721	(10,159)
g) Parks and Recreation	69,696	99,085	(29,389)
h) Golf Course	417,016	504,000	(86,984)
i) Library	136,596	143,757	(7,161)
j) Airport	101,784	146,286	(44,502)
k) Community Center	11,287	19,961	(8,674)
l) Code Enforcement	131,564	134,008	(2,444)
m) Emergency Management	28,869	56,793	(27,924)
n) Capital Outlay	-	9,682	(9,682)
o) Interest	77,793	-	77,793
Sub-total	<u>\$ 3,977,835</u>	<u>\$ 4,150,963</u>	<u>\$ (173,128)</u>

Business-type Activities			
	Current Year	Prior Year	Change
a) Sewer/Water Fund	\$ 2,467,010	\$ 2,250,494	\$ 216,516
Sub-total	<u>\$ 2,467,010</u>	<u>\$ 2,250,494</u>	<u>\$ 216,516</u>
Total Expenses	<u>\$ 6,444,845</u>	<u>\$ 6,401,457</u>	<u>\$ 43,388</u>

* The general fund reported a fund balance this year of \$2,352,383, an increase of \$1,304,328 from the prior year.

* Revenues were \$320,053 above budget and expenditures were \$8,397 below budget.

* The general fund transferred \$92,610 to the TIF fund.

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* The City's combined net position was \$7,961,692 at September 30, 2021, as reflected below:

	Governmental Activities		
	Current Year	Prior Year	Change
Current and other assets	\$ 3,479,514	\$ 1,687,876	\$ 1,791,638
Capital and non-current assets	2,062,136	1,248,279	813,857
Total Assets	\$ 5,541,650	\$ 2,936,155	\$ 2,605,495
Deferred outflow of resources	\$ 286,063	\$ 333,323	\$ (47,260)
Current liabilities	\$ 1,123,993	\$ 354,902	\$ 769,091
Long term liabilities	3,333,286	1,947,391	1,385,895
Total Liabilities	\$ 4,457,279	\$ 2,302,293	\$ 2,154,986
Deferred inflow of resources	\$ 81,787	\$ 97,861	\$ (16,074)
Net position:			
Net investment in capital assets	\$ 374,936	\$ 1,125,813	\$ (750,877)
Restricted	102,361	182,996	(80,635)
Unrestricted	811,350	(439,485)	1,250,835
Total Net Position	\$ 1,288,647	\$ 869,324	\$ 419,323
	Business-type Activities		
	Current Year	Prior Year	Change
Current and other assets	\$ 11,443,015	\$ 13,299,714	\$ (1,856,699)
Capital and non-current assets	7,134,697	5,518,320	1,616,377
Total Assets	\$ 18,577,712	\$ 18,818,034	\$ (240,322)
Deferred outflow of resources	\$ 169,268	\$ 201,737	\$ (32,469)
Current liabilities	\$ 720,725	\$ 271,028	\$ 449,697
Long term liabilities	11,298,942	12,196,126	(897,184)
Total Liabilities	\$ 12,019,667	\$ 12,467,154	\$ (447,487)
Deferred inflow of resources	\$ 54,268	\$ 57,861	\$ (3,593)
Net position:			
Net investment in capital assets	\$ 3,241,513	\$ 4,434,383	\$ (1,192,870)
Unrestricted	3,431,532	2,060,373	1,371,159
Total Net Position	\$ 6,673,045	\$ 6,494,756	\$ 178,289
Combined Total Net Position	\$ 7,961,692	\$ 7,364,080	\$ 597,612

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Capital Assets and Debt Administration

Capital Assets

Capital assets for the City at fiscal year-end September 30, 2021 amounted to \$9,196,832. It is the City's policy to charge off as a current expenditure any purchases less than \$5,000. The total capital assets recorded were land and its improvements, buildings, equipment, and streets as reflected below:

City's Capital Assets

	Governmental	Business-type	Governmental	Business-type
	Activities	Activities	Activities	Activities
	Current Year		Prior Year	
Land	\$ 497,589	\$ 215,714	\$ 160,727	\$ 215,714
Building and improvements	1,089,976	45,338	1,076,051	2,968
Equipment	1,688,467	2,449,049	1,592,023	2,251,794
Equipment under capital lease	226,514	-	226,514	-
Water and utility improvements	3,185,875	12,148,550	2,744,961	11,191,456
Water rights		402,500	-	402,500
Construction in Progress	408,642	2,293,183	332,250	1,412,110
Totals at historical cost	7,097,063	17,554,334	6,132,526	15,476,542
Total accumulated depreciation	(5,034,927)	(10,419,638)	(4,884,247)	(9,958,222)
Net capital assets	<u>\$ 2,062,136</u>	<u>\$ 7,134,696</u>	<u>\$ 1,248,279</u>	<u>\$ 5,518,320</u>

Long-term Debt

The City has the following long-term debt at year end:

City's Long-Term Debt

	Governmental	Business-type	Governmental	Business-type
	Activities	Activities	Activities	Activities
	Current Year		Prior Year	
General Obligation Bonds	\$ 1,000,000	\$ 10,615,000	\$ -	\$ 11,060,000
Tax Notes	475,000	-	-	-
Loans Payable	135,000	-	-	-
Capital Lease Obligations	77,200	-	122,466	-
Totals	<u>\$ 1,687,200</u>	<u>\$ 10,615,000</u>	<u>\$ 122,466</u>	<u>\$ 11,060,000</u>

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Contacting the City's Financial Management

The financial report is designed for customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

City Administrator
City of Devine
303 South Teel
Devine, Texas 78016
(830) 663-2804

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BASIC FINANCIAL STATEMENTS

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CITY OF DEVINE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

EXHIBIT A-1

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 2,862,100	\$ 2,998,970	\$ 5,861,070
Taxes Receivable, Net	89,254	-	89,254
Accounts Receivable, Net	364,580	266,645	631,225
Due from Other Funds	163,580	(163,580)	-
Restricted Cash and Cash Equivalents	-	8,340,980	8,340,980
Capital Assets:			
Land	497,589	142,693	640,282
Buildings, Net	234,246	-	234,246
Improvements other than Buildings, Net	506,127	269,067	775,194
Furniture and Equipment, Net	332,477	4,429,754	4,762,231
Other Assets, Net	83,055	-	83,055
Construction in Progress	408,642	2,293,183	2,701,825
Total Assets	<u>5,541,650</u>	<u>18,577,712</u>	<u>24,119,362</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	263,486	154,776	418,262
Deferred Outflow Related to OPEB	22,577	14,492	37,069
Total Deferred Outflows of Resources	<u>286,063</u>	<u>169,268</u>	<u>455,331</u>
LIABILITIES			
Accounts Payable	197,407	4,537	201,944
Wages and Salaries Payable	137,911	67,347	205,258
Accrued Interest Payable	7,458	-	7,458
Unearned Revenues	598,279	-	598,279
Notes Payable - Current	135,000	-	135,000
Capital Leases Payable - Current	47,938	-	47,938
Liabilities Payable from Restricted Assets	-	193,841	193,841
Noncurrent Liabilities:			
Debt Due Within One Year	165,000	455,000	620,000
Due in More Than One Year:			
Debt Payable - Noncurrent	1,339,262	10,160,000	11,499,262
Net Pension Liability	1,729,882	1,078,221	2,808,103
Net OPEB Liability	99,142	60,721	159,863
Total Liabilities	<u>4,457,279</u>	<u>12,019,667</u>	<u>16,476,946</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	69,281	51,775	121,056
Deferred Inflow Related to OPEB	4,554	2,493	7,047
Deferred Inflow Related to Paving Assessment	7,684	-	7,684
Deferred Inflow Related to Municipal Court	268	-	268
Total Deferred Inflows of Resources	<u>81,787</u>	<u>54,268</u>	<u>136,055</u>
NET POSITION			
Net Investment in Capital Assets	374,936	3,241,513	3,616,449
Restricted:			
Restricted for Debt Service	41,621	-	41,621
Restricted for Other Purposes	60,740	-	60,740
Unrestricted	811,350	3,431,532	4,242,882
Total Net Position	<u>\$ 1,288,647</u>	<u>\$ 6,673,045</u>	<u>\$ 7,961,692</u>

The notes to the financial statements are an integral part of this statement.

CITY OF DEVINE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
Administration	\$ 455,017	\$ -	\$ 349,751
Municipal Court	103,140	-	-
Street	445,840	-	-
Police	1,109,861	-	-
Health & Sanitation	788,810	868,023	-
Animal Control	100,562	-	-
Parks & Recreation	69,696	-	-
Golf Course	417,016	-	-
Library	136,596	7,222	-
Airport	101,784	30,109	-
Community Center	11,287	-	-
Code Enforcement	131,564	-	-
Emergency Management	28,869	-	-
Interest	77,793	-	-
Total Governmental Activities	3,977,835	905,354	349,751
BUSINESS-TYPE ACTIVITIES:			
Total Business-Type Activities	2,467,010	2,634,647	-
Total Business-Type Activities	2,467,010	2,634,647	-
TOTAL PRIMARY GOVERNMENT	\$ 6,444,845	\$ 3,540,001	\$ 349,751

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Other Taxes

Grants and Contributions

Miscellaneous Revenue

Investment Earnings

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (105,266)	\$ -	\$ (105,266)
(103,140)	-	(103,140)
(445,840)	-	(445,840)
(1,109,861)	-	(1,109,861)
79,213	-	79,213
(100,562)	-	(100,562)
(69,696)	-	(69,696)
(417,016)	-	(417,016)
(129,374)	-	(129,374)
(71,675)	-	(71,675)
(11,287)	-	(11,287)
(131,564)	-	(131,564)
(28,869)	-	(28,869)
(77,793)	-	(77,793)
<u>(2,722,730)</u>	<u>-</u>	<u>(2,722,730)</u>
-	167,637	167,637
-	167,637	167,637
<u>(2,722,730)</u>	<u>167,637</u>	<u>(2,555,093)</u>
1,113,361	-	1,113,361
1,708,421	-	1,708,421
149,482	-	149,482
165,774	-	165,774
5,015	10,652	15,667
<u>3,142,053</u>	<u>10,652</u>	<u>3,152,705</u>
419,323	178,289	597,612
869,324	6,494,756	7,364,080
<u>\$ 1,288,647</u>	<u>\$ 6,673,045</u>	<u>\$ 7,961,692</u>

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CITY OF DEVINE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Other Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2,761,390	\$ 100,710	\$ 2,862,100
Taxes Receivable	95,125	4,046	99,171
Allowance for Uncollectible Taxes (credit)	(9,512)	(405)	(9,917)
Accounts Receivable, Net	362,807	1,773	364,580
Due from Other Funds	163,580	-	163,580
Total Assets	\$ 3,373,390	\$ 106,124	\$ 3,479,514
LIABILITIES			
Accounts Payable	\$ 197,285	\$ 122	\$ 197,407
Accrued Liabilities	137,911	-	137,911
Unearned Revenues	598,279	-	598,279
Total Liabilities	933,475	122	933,597
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	79,580	3,641	83,221
Unavailable Revenue - Paving Assessments	7,684	-	7,684
Unavailable Revenue - Municipal Court	268	-	268
Total Deferred Inflows of Resources	87,532	3,641	91,173
FUND BALANCES			
Retirement of Long-Term Debt	-	41,621	41,621
Other Restricted Fund Balance	-	60,740	60,740
Unassigned Fund Balance	2,352,383	-	2,352,383
Total Fund Balances	2,352,383	102,361	2,454,744
Total Liabilities, Deferred Inflows & Fund Balances	\$ 3,373,390	\$ 106,124	\$ 3,479,514

The notes to the financial statements are an integral part of this statement.

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CITY OF DEVINE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	2,454,744
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including debt payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) of \$1,248,279, and long-term debt of \$(122,466), in the governmental activities is to increase net position.		1,125,813
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays of \$964,537, and debt principal payments of \$45,266 is to increase net position.		1,009,803
Included in the items related to debt is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$(1,729,882), a deferred resource inflow of \$(69,281), and a deferred resource outflow of \$263,486. The net effect of this recognition is to decrease net position.		(1,535,677)
Included in the items related to debt is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$(99,142), a deferred resource inflow of \$(4,554), and a deferred resource outflow of \$22,577. The net effect of this recognition is to decrease net position.		(81,119)
The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(150,680)
Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable tax revenue of \$83,221 as revenue, recognizing accrued interest of \$(7,458), and loans and long term debt of \$(1,610,000) The net effect of these reclassifications and recognitions is to decrease net position.		(1,534,237)
Net Position of Governmental Activities	\$	1,288,647

The notes to the financial statements are an integral part of this statement.

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CITY OF DEVINE, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Other Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ 2,796,070	\$ 26,205	\$ 2,822,275
Permits & License	44,502	-	44,502
Intergovernmental Revenue	-	118,515	118,515
Services & Charges	898,132	-	898,132
Fees & Fines	100,301	-	100,301
Interest Earned	4,941	74	5,015
Grants & Contributions	380,718	-	380,718
Other Revenue	28,193	-	28,193
Total Revenues	4,252,857	144,794	4,397,651
EXPENDITURES:			
Current			
Administration	316,912	127,067	443,979
Municipal Court	98,622	-	98,622
Street	433,687	-	433,687
Police	1,056,345	2,140	1,058,485
Health & Sanitation	786,538	-	786,538
Animal Control	92,089	-	92,089
Parks & Recreation	53,050	-	53,050
Golf Course	369,509	-	369,509
Library	131,471	-	131,471
Airport	68,187	-	68,187
Community Center	10,669	-	10,669
Code Enforcement	128,077	-	128,077
Emergency Management	28,869	-	28,869
Capital Outlay	640,706	323,832	964,538
Debt Service:			
Principal	45,266	-	45,266
Interest and Costs	70,922	-	70,922
Total Expenditures	4,330,919	453,039	4,783,958
Excess (Deficiency) of Revenues Over (Under) Expenditures	(78,062)	(308,245)	(386,307)
OTHER FINANCING SOURCES (USES):			
Issuance of Tax Notes & Certificates of Obligation	1,475,000	-	1,475,000
Noncurrent Loans	-	135,000	135,000
Transfers In	-	92,610	92,610
Transfers Out	(92,610)	-	(92,610)
Total Other Financing Sources (Uses)	1,382,390	227,610	1,610,000
Net Change in Fund Balances	1,304,328	(80,635)	1,223,693
Fund Balance - October 1 (Beginning)	1,048,055	182,996	1,231,051
Fund Balance - September 30 (Ending)	\$ 2,352,383	\$ 102,361	\$ 2,454,744

The notes to the financial statements are an integral part of this statement.

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CITY OF DEVINE, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

Total Net Change in Fund Balances - Governmental Funds	\$	1,223,693
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing capital outlays of \$964,537, and debt principal payments of \$45,266, is to increase net position.		1,009,803
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(150,680)
The reporting of GASB 68 for the current year resulted in a net increase of expenses for the City of \$(37,581) The effect of this reporting is to decrease net position.		(37,581)
The reporting of GASB 75 for the current year resulted in a net increase of expenses for the City of \$(8,548). The effect of this reporting is to decrease net position.		(8,548)
Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in unavailable tax revenue of \$(493), and the change in accrued interest of \$(6,871). Also, recognizing notes and debt issued of \$(1,610,000). The net effect of these reclassifications and recognitions is to decrease net position.		(1,617,364)
Change in Net Position of Governmental Activities	\$	419,323

The notes to the financial statements are an integral part of this statement.

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CITY OF DEVINE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

EXHIBIT D-1

	Business Type Activities
	Sewer Water Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,998,970
Restricted Assets - Current:	
Cash and Cash Equivalents	8,340,980
Interest Receivable	4,039
Accounts Receivable, Net	262,606
Total Current Assets	11,606,595
Noncurrent Assets:	
Capital Assets:	
Land	142,693
Water Rights, net	269,067
Plant and Equipment, net	4,429,754
Construction in Progress	2,293,183
Total Noncurrent Assets	7,134,697
Total Assets	18,741,292
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	154,776
Deferred Outflow Related to OPEB	14,492
Total Deferred Outflows of Resources	169,268
LIABILITIES	
Current Liabilities:	
Accounts Payable	4,537
Accrued Liabilities	67,347
Due to Other Funds	163,580
Payable from Restricted Assets:	
Customer Deposits	193,841
Bonds Payable - Current	455,000
Total Current Liabilities	884,305
Noncurrent Liabilities:	
Bonds Payable - Noncurrent	10,160,000
Net Pension Liability	1,078,221
Net OPEB Liability	60,721
Total Noncurrent Liabilities	11,298,942
Total Liabilities	12,183,247
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	51,775
Deferred Inflow Related to OPEB	2,493
Total Deferred Inflows of Resources	54,268
NET POSITION	
Net Investment in Capital Assets	3,241,513
Unrestricted	3,431,532
Total Net Position	\$ 6,673,045

The notes to the financial statements are an integral part of this statement.

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CITY OF DEVINE, TEXAS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT D-2

	Business-Type Activities
	Sewer Water Fund
OPERATING REVENUES:	
Charges for Services	\$ 2,634,647
Total Operating Revenues	2,634,647
OPERATING EXPENSES:	
Personnel Services	1,193,387
Purchased Services	194,732
Other Operating Costs	521,575
Depreciation	461,416
Debt Service	95,900
Total Operating Expenses	2,467,010
Operating Income	167,637
NONOPERATING REVENUES (EXPENSES):	
Investment Earnings	10,652
Total NonOperating Revenue (Expenses)	10,652
Change in Net Position	178,289
Total Net Position - October 1 (Beginning)	6,494,756
Total Net Position - September 30 (Ending)	\$ 6,673,045

The notes to the financial statements are an integral part of this statement.

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CITY OF DEVINE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT D-3

	Business-Type Activities
	Sewer Water Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 2,678,229
Cash Payments for Personnel Services	(1,176,238)
Cash Payments for Purchased Services	(191,931)
Cash Payments for Other Operating Costs	(521,575)
Net Cash Provided by Operating Activities	788,485
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	(2,077,793)
Bond Principal Paid	(445,000)
Net Cash Provided by (Used for) Capital & Related Financing Activities	(2,522,793)
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	15,739
Net Increase (Decrease) in Cash and Cash Equivalents	(1,718,569)
Cash and Cash Equivalents at Beginning of Year	13,058,519
Cash and Cash Equivalents at End of Year	\$ 11,339,950
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$ 167,637
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	461,416
GASB 68 and GASB 75 Adjustment	31,692
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	58
Increase (Decrease) in Accounts Payable	2,801
Increase (Decrease) in Accrued Liabilities	(15,356)
Increase (Decrease) in Due to Other Funds	132,985
Increase (Decrease) in Customer Deposits	7,252
Net Cash Provided by Operating Activities	\$ 788,485
<u>Reconciliation of Total Cash and Cash Equivalents:</u>	
Cash & Cash Equivalents - Statement of Net Assets	\$ 2,998,970
Restricted Cash - Statement of Net Assets	8,340,980
Total Cash and Cash Equivalents	\$ 11,339,950

The notes to the financial statements are an integral part of this statement.

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CITY OF DEVINE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Devine (the "City") is a municipal agency operating under the applicable laws and regulations of the State of Texas. It is governed by a six-member City Council elected by registered voters of the City. The City prepares its general-purpose financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement of Auditing Standards No. 76* of the American Institute of Certified Public Accountants; and it complies with the requirements of contracts and grants of agencies from which it receives funds.

Pensions. The fiduciary net position of the Texas Municipal Retirement System (TMRS) has determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TMRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits. The fiduciary net position of the Texas Municipal Retirement System Supplemental Death Benefit Funds (SDBF) has been determined using the flow of economic resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from SDBF net position. Payments are recognized when due and payable in accordance with the benefit terms.

Fair Value. The City of Devine, Texas applies Government Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. REPORTING ENTITY

Because the City Council is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the City is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Devine's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, and other intergovernmental revenues. *Business-type activities* include operations that rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" column indicates amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State or Federal Government are recognized under the susceptible to accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The fund equity is segregated into net investment in capital assets, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The City reports the following major governmental funds:

The General Fund – The general fund is the City’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the City reports the following fund type(s):

Governmental Funds:

Special Revenue Funds – The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Debt Service Fund – The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Major Proprietary Fund:

Enterprise Fund – The City’s activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in the Enterprise Funds. The City’s major Enterprise Fund is the Water and Sewer System Fund.

E. FUND BALANCE POLICY

The City reports fund balance for governmental funds in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **nonspendable** classification represents assets that will be consumed or “must be maintained intact” and therefore will never convert to cash, such as inventories of supplies. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications precludes a need for a policy from the City Council. However, the City Council has adopted fund balance policies for the three unrestricted classifications - committed, assigned, and unassigned.

From time to time, the City Council may commit fund balances by a majority vote in a scheduled meeting. The Council’s commitment may be modified or rescinded by a majority vote in a scheduled meeting. Council commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the City does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions, and other purposes determined by the Council.

The City Council may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Council may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Council by majority vote in a scheduled meeting. The Council has delegated this authority to the City Administrator.

When the City incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the City incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures should be charged in the same order.

Restricted		
Debt service	\$	41,621
Lodging Tax		40,466
TCOLE		3,698
TIF Fund		15,766
Home Program		810
Total Restricted		<u>102,361</u>
Unassigned		2,352,383
Total Fund Balances	\$	<u><u>2,454,744</u></u>

F. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary fund types, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The City records purchases of supplies as expenditures.
3. The City records its investments at cost, which approximates fair value.
4. Deferred inflows accounted for on the balance sheet relates to uncollected property taxes less the amount of doubtful accounts, as well as paving assessments and municipal court revenue.
5. The City provides risk management obligations by carrying commercial insurance. General liability insurance is obtained from a commercial insurance carrier.
6. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
7. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.
8. Capital assets, which include land, buildings, furniture and equipment, and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	7-27
Utility Improvements	4-40
Equipment	3-25
Water Rights	50

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The City Council adopts an “appropriated budget” for the General Fund. The City is required to present adopted and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for this fund. The City compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears as Exhibit E-1.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Thirty to sixty days prior to the beginning of each fiscal year, the City Secretary submits to the City Council a proposed budget prepared on the modified accrual basis which is consistent with generally accepted accounting principles at the department level for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which all interested persons’ comments concerning the budget are heard.
3. The budget is legally enacted by the City Council through passage of an ordinance not later than 15 days prior to the beginning of the fiscal year.
4. The budget was amended by the City Council during the year.

B. EXPENDITURES IN EXCESS OF BUDGETED AMOUNT

As noted on Exhibit E-1, the general fund had five categories in excess of the budgeted amount for \$179,979.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

City Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complies with this law, it has no custodial credit risk for deposits.

The City had funds on deposit at year-end of \$6,050,435 in excess of FDIC coverage, secured by pledged securities of the depository bank.

City Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies, (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas, (3) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality not less than an "A", (4) No load money market funds with a weighted average maturity of 90 days or less, (5) fully collateralized repurchase agreements, (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit, (7) secured corporate bonds rated now lower than "AA-" or the equivalent, (8) public funds investment pools, and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The City of Devine, Texas is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2021, the following are the City's cash and cash equivalents with respective maturities and credit rating:

Investment Type	Credit Rating	Amount	Maturity		
			Less than 1 Year	1-5 Years	10+ Years
Certificates of Deposit	N/A	\$ 2,021,345	\$ 2,021,345	\$ -	\$ -
Money Market Accounts	AAA	1,201,510	N/A	-	-
Money Market Funds	N/A	7,213,958	N/A	-	-
External Investment Pools	AAAm	6,813	N/A	-	-
Total		<u>\$ 10,443,626</u>	<u>\$ 2,021,345</u>	<u>\$ -</u>	<u>\$ -</u>

Additional polices and contractual provisions governing deposits and investments of City of Devine, Texas are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments to those allowed by Government Code 2256. As of September 30, 2021, the City's investments were limited to investment pools and money market funds.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The City requires counterparties to register the securities in the name of the City's custodian and hand them over to the City or its designated agent. All of the securities are held by the City's agent.

Concentration of Credit Risk To limit the risk of loss, the City's investment portfolio is diversified in terms of investment instruments, maturity schedule, and financial institutions.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the City's investment portfolio has various maturities.

Foreign Currency Risk for Investment The City has no foreign currency investments.

Fair Value Measurement

The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels within the fair value hierarchy measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

At September 30, 2021, the City's investments measured at fair value are as follows.

Investments	Amount	Fair Value Measurement Using Input:		
		Level 1	Level 2	Level 3
Certificates of Deposit	\$ 2,021,345	\$ -	\$ 2,021,345	\$ -
Money Market Accounts	1,201,510	N/A	-	-
Money Market Funds	7,213,958	7,213,958	-	-
External Investment Pools	6,813	-	6,813	-
Total	\$ 10,443,626	\$ 7,213,958	\$ 2,026,905	\$ -

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with the applicable Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they are expected to be collected during a 60-day period after the close of the city fiscal year. The City considers all delinquent taxes as deferred inflows.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

Interfund transfers at September 30, 2021 consisted of the following amounts:

Transfers From General Fund To:	
Non-Major Funds	\$ 92,610
Total Transfer From General Fund	<u>\$ 92,610</u>
Transfers From Non-Major Funds To:	
General Fund	\$ -
Total Transfers From Non-Major Funds	<u>\$ -</u>

Interfund transfers are in support of operations.

Interfund balances at September 30, 2021 are as follows:

Due to General Fund From:	
Proprietary Funds	\$ 163,580
Non-Major Funds	-
Total Due to General Fund	<u>\$ 163,580</u>

Interfund balances are in support of operations.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2021 were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 95,125	\$ 270,152	\$ 163,580	\$ 92,655	\$ 621,512
Other Funds	4,046	-	-	1,773	5,819
Total Governmental Activities	<u>\$ 99,171</u>	<u>\$ 270,152</u>	<u>\$ 163,580</u>	<u>\$ 94,428</u>	<u>\$ 627,331</u>
Amount not scheduled for collection during subsequent year	<u>\$ 9,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,917</u>
Business-type Activities:					
Proprietary Funds	\$ -	\$ -	\$ -	\$ 266,645	\$ 266,645
Total Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266,645</u>	<u>\$ 266,645</u>

Payables at September 30, 2021 were as follows:

	Accounts Payables	Loans, Leases and Bonds Payable Current Year	Due to Other Funds	Accrued Liabilities	Other	Total Payables
Governmental Activities:						
General Fund	\$ 197,285	\$ -	\$ -	\$ 137,911	\$ -	\$ 335,196
Other Funds	122	-	-	-	-	122
Total Governmental Activities	<u>\$ 197,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,911</u>	<u>\$ -</u>	<u>\$ 335,318</u>
Amount not scheduled for payment during subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type Activities:						
Proprietary Funds	\$ 4,537	\$ 455,000	\$ 163,580	\$ 67,347	\$ 193,841	\$ 884,305
Total Business-type Activities	<u>\$ 4,537</u>	<u>\$ 455,000</u>	<u>\$ 163,580</u>	<u>\$ 67,347</u>	<u>\$ 193,841</u>	<u>\$ 884,305</u>

F. CAPITAL ASSETS ACTIVITIES

Capital asset activity for the year ended September 30, 2021 was as follows:

Governmental Activities:

Land	\$ 160,727	\$ 336,862	\$ -	\$ 497,589
Buildings and improvements	1,076,051	13,925	-	1,089,976
Utility improvements	2,744,961	6,573	(434,341)	3,185,875
Equipment	1,592,023	96,444	-	1,688,467
Equipment under capital lease	226,514	-	-	226,514
Construction in Progress	332,250	510,733	434,341	408,642
Total at historical cost	<u>6,132,526</u>	<u>964,537</u>	<u>-</u>	<u>7,097,063</u>
Less accumulated depreciation				
Buildings and improvements	(830,939)	(24,791)	-	(855,730)
Utility improvements	(2,644,927)	(34,821)	-	(2,679,748)
Equipment	(1,309,674)	(46,316)	-	(1,355,990)
Equipment under capital lease	(98,707)	(44,752)	-	(143,459)
Total accumulated depreciation	<u>(4,884,247)</u>	<u>(150,680)</u>	<u>-</u>	<u>(5,034,927)</u>
Governmental activities capital assets, net	<u>\$ 1,248,279</u>	<u>\$ 813,857</u>	<u>\$ -</u>	<u>\$ 2,062,136</u>

Business-type Activities

Land	\$ 215,714	\$ -	\$ -	\$ 215,714
Buildings	-	-	-	-
Utility improvements	-	-	-	-
Plant and Equipment	13,446,218	197,255	999,464	14,642,937
Water rights	402,500	-	-	402,500
Construction-in-progress	1,412,110	1,880,537	(999,464)	2,293,183
Total at historical cost	<u>15,476,542</u>	<u>2,077,792</u>	<u>-</u>	<u>17,554,334</u>
Accumulated depreciation	<u>(9,958,222)</u>	<u>(461,416)</u>	<u>-</u>	<u>(10,419,638)</u>
Business-type activities capital assets, net	<u>\$ 5,518,320</u>	<u>\$ 1,616,376</u>	<u>\$ -</u>	<u>\$ 7,134,696</u>

Depreciation expense was charged to governmental activities as follows:

Administration	\$ 4,803
Municipal Court	599
Streets	9,876
Police	26,483
Health and Sanitation	2,272
Animal Control	6,889
Parks and Recreation	15,736
Golf Course	45,767
Library	2,797
Airport	33,084
Community Center	599
Code Enforcement	1,775
Total Depreciation Expense	\$ 150,680

G. LONG-TERM DEBT

The City had the following changes in long-term debt outstanding for the year ended September 30, 2021:

	Original Amount	Interest Rates	Balance Outstanding 10/1/2020	Issued	Retirement	Balance Outstanding 9/30/2021	Due Within One Year
<u>Governmental Activities</u>							
<u>Certificates of Obligation</u>							
2021 General Obligation Combination Tax and Revenue	\$ 1,000,000	.750% - 2.30%	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000	\$ 10,000
<u>Tax Notes</u>							
Series 2020	\$ 475,000	1.37%	-	475,000	-	475,000	155,000
<u>Borrowings and Direct Placements:</u>							
Loan Payable	\$ 135,000	3.91%	-	135,000	-	135,000	135,000
Capital Lease Payable	\$ 226,514	5.75%	\$ 122,466	\$ -	\$ 45,266	\$ 77,200	\$ 47,938
Total Governmental Activities			\$ 122,466	\$ 1,610,000	\$ 45,266	\$ 1,687,200	\$ 347,938
<u>Business-type Activities</u>							
<u>Certificates of Obligation</u>							
2019 General Obligation Combination Tax and Revenue	\$ 1,075,000	1.80% - 2.45%	\$ 980,000	\$ -	\$ 100,000	\$ 880,000	\$ 100,000
<u>Revenue Bonds</u>							
2011 General Obligation Refunding Bonds	\$ 480,000	2.80%	40,000	-	40,000	-	-
2013 General Obligation Refunding Bonds	\$ 1,840,000	1.27% - 3.12%	880,000	-	160,000	720,000	170,000
2018A Revenue Bonds Utility System	\$ 2,755,000	0.61% - 2.37%	2,615,000	-	70,000	2,545,000	70,000
2018B Revenue Bonds Utility System	\$ 6,645,000	0.00%	6,545,000	-	75,000	6,470,000	115,000
Total Business-type Activities			\$ 11,060,000	\$ -	\$ 445,000	\$ 10,615,000	\$ 455,000

Annual debt service requirements as of September 30, 2021 are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Certificates of Obligation and Revenue Bonds			Notes from Direct Borrowings and Direct Placements		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 347,938	\$ 31,462	\$ 379,400	\$ 455,000	\$ 88,852	\$ 543,852
2023	254,262	20,534	274,796	470,000	81,679	551,679
2024	225,000	17,259	242,259	470,000	73,503	543,503
2025	65,000	15,578	80,578	485,000	64,563	549,563
2026	65,000	14,895	79,895	450,000	58,154	508,154
2027-2031	345,000	60,405	405,405	2,085,000	234,434	2,319,434
2032-2036	385,000	26,113	411,113	1,760,000	177,415	1,937,415
2037-2041	-	-	-	1,805,000	124,270	1,929,270
2042-2046	-	-	-	1,865,000	62,821	1,927,821
2047-2048	-	-	-	770,000	5,859	775,859
Total	\$ 1,687,200	\$ 186,246	\$ 1,873,446	\$ 10,615,000	\$ 971,550	\$ 11,586,550

Long-term debt of the City consists of various series of general obligation bonds, revenue bonds, and capital leases. General obligation bonds are payable from a levy of ad valorem taxes upon all taxable property within the City and from certain net revenues derived from the operation of the City's water and sewer system. Revenue bonds are generally payable from pledged revenues generated by the water and sewer fund. Capital leases are payable from revenues generated by the City's governmental activities and the levy of ad valorem taxes. The debenture agreement for water and sewer bonds require that funds be available for 1/12th of the principal and 1/6th of the interest requirements of the next fiscal year.

On May 1, 2018, the City entered into a capital lease agreement with John Deere Financial for the purchase of golf course maintenance equipment, which is the security on the lease. Lease payments are paid out of the governmental activities. The lease contains (1) a provision that default on the note occurs when the lessee fails to pay any amounts due on the obligation, (2) lessee becomes insolvent or the subject of bankruptcy, (3) lessee fails to obtain insurance on the equipment, (4) equipment is impounded, and (5) lessee fails to produce collateral for inspection within 10 days upon demand.

Interest expense for the year was \$10,923 for governmental activities and \$95,713 for business-type activities.

H. DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City of Devine participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>40</u>
	72

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Devine were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Devine were 16.62% and 16.41% in calendar years 2021 and 2020, respectively. The city's contributions to TMRS for the year ended September 30, 2021 were \$313,566 and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) - (b)
Balance at 12/31/2019	\$ 7,101,801	\$ 4,273,899	\$ 2,827,902
Changes for the year:			
Service Cost	239,021	-	239,021
Interest	482,919	-	482,919
Change of benefit terms	-	-	-
Difference between expected and actual experience	28,053	-	28,053
Changes of assumptions	-	-	-
Contributions - employer	-	328,037	(328,037)
Contributions - employee	-	118,425	(118,425)
Net Investment Income	-	325,511	(325,511)
Benefit payments, including refunds of employee contributions	(133,916)	(133,916)	-
Administrative expense	-	(2,099)	2,099
Other Charges	-	(82)	82
Net Changes	\$ 616,077	\$ 635,876	\$ (19,799)
Balance at 12/31/2020	\$ 7,717,878	\$ 4,909,775	\$ 2,808,103

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$3,953,545	\$2,808,103	\$1,865,427

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2021, the city recognized pension expense of \$376,956.

At September 30, 2021, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 168,363	\$ -
Changes in actuarial assumptions	23,964	-
Net difference between projected and actual investment earnings	-	121,056
Contributions subsequent to the measurement date	225,935	-
Total	\$ 418,262	\$ 121,056

\$225,935 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2021	\$ 40,205
2022	56,132
2023	(31,985)
2024	6,051
2025	868
Thereafter	-

I. DEFINED BENEFIT OPEB PLANS

A. Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other post-employment benefit ("OPEB") and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated). As such the SDBF is considered to be a single-employer unfunded OPEB plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

B. Benefits Provided

The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Employees covered by benefit terms.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	3
Active employees	40
	61

C. Total OPEB Liability

The City's total OPEB liability of \$159,863 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	2.00%
Retirees' share of benefit-related cost	\$0
Administrative expense	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Note: The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the total OPEB liability

	Total OPEB Liability
Balance at 12/31/2019	\$ 133,149
Changes for the year:	
Service Cost	5,921
Interest	3,732
Change of benefit terms	-
Differences between expected and actual experience	(2,113)
Changes in assumptions or other inputs	19,964
Benefit payments**	(790)
Net Changes	\$ 26,714
Balance at 12/31/2020	\$ 159,863

** Due to SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) that the current discount rate:

	1% Decrease (1.00%)	Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB liability	\$192,357	\$159,863	\$133,935

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense of \$16,309.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,725	\$ 3,011
Changes in assumptions and other inputs	33,667	4,036
Contributions made subsequent to the measurement date	1,677	-
Total	\$ 37,069	\$ 7,047

\$1,677 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended December 31:	
2021	\$ 6,656
2022	6,656
2023	5,950
2024	5,773
2025	3,310
Thereafter	-

J. ECONOMIC DEPENDENCY

The City of Devine has significant economic dependency upon the citizens of the City of Devine for both tax revenue and utility fund revenue.

K. CONTINGENCIES

The City participates in various state and federal grant programs which are governed by certain rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, if any, refunds of any money received and the collectability of any related receivable at September 30, 2021 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statement for such contingencies.

L. LITIGATION

The City's legal counsel advises that there is no pending or threatened litigation involving the City as of September 30, 2021.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF DEVINE, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 2,652,408	\$ 2,753,880	\$ 2,796,070	\$ 42,190
Permits & License	61,500	43,680	44,502	822
Services & Charges	913,157	886,774	898,132	11,358
Fees & Fines	133,400	112,357	100,301	(12,056)
Interest Earned	16,000	8,145	4,941	(3,204)
Grants & Contributions	45,000	108,600	380,718	272,118
Other Revenue	3,550	19,368	28,193	8,825
Total Revenues	3,825,015	3,932,804	4,252,857	320,053
EXPENDITURES:				
Current:				
Administration	320,333	340,161	316,912	23,249
Municipal Court	78,200	100,967	98,622	2,345
Street	629,559	549,143	433,687	115,456
Police	1,059,405	1,075,534	1,056,345	19,189
Health & Sanitation	775,849	786,648	786,538	110
Animal Control	157,518	101,403	92,089	9,314
Parks & Recreation	67,166	53,729	53,050	679
Golf Course	286,628	320,269	369,509	(49,240)
Library	142,384	138,505	131,471	7,034
Airport	102,138	55,417	68,187	(12,770)
Community Center	10,212	3,826	10,669	(6,843)
Code Enforcement	122,307	131,912	128,077	3,835
Emergency Management	10,400	35,249	28,869	6,380
Capital Outlay	35,210	641,491	640,706	785
Debt Service:				
Principal	-	-	45,266	(45,266)
Interest and Costs	-	5,062	70,922	(65,860)
Total Expenditures	3,797,309	4,339,316	4,330,919	8,397
Excess (Deficiency) of Revenues Over (Under) Expenditures	27,706	(406,512)	(78,062)	328,450
OTHER FINANCING SOURCES (USES):				
Issuance of Tax Notes & Certificates of Obligation	-	-	1,475,000	1,475,000
Transfers Out	-	-	(92,610)	(92,610)
Total Other Financing Sources (Uses)	-	-	1,382,390	1,382,390
Net Change	27,706	(406,512)	1,304,328	1,710,840
Fund Balance - October 1 (Beginning)	1,048,055	1,048,055	1,048,055	-
Fund Balance - September 30 (Ending)	\$ 1,075,761	\$ 641,543	\$ 2,352,383	\$ 1,710,840

The notes to the financial statements are an integral part of this statement.

CITY OF DEVINE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
A. Total Pension Liability			
Service Cost	\$ 239,021	\$ 247,708	\$ 221,419
Interest (on the Total Pension Liability)	482,919	440,552	397,975
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	28,053	44,981	131,753
Changes of Assumptions	-	37,226	-
Benefit Payments, Including Refunds of Employee Contributions	(133,916)	(143,026)	(124,016)
Net Change in Total Pension Liability	\$ 616,077	\$ 627,441	\$ 627,131
Total Pension Liability - Beginning	7,101,801	6,474,360	5,847,229
Total Pension Liability - Ending	\$ 7,717,878	\$ 7,101,801	\$ 6,474,360
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 328,037	\$ 339,024	\$ 300,137
Contributions - Employee	118,425	123,957	111,640
Net Investment Income	325,511	531,305	(97,193)
Benefit Payments, Including Refunds of Employee Contributions	(133,916)	(143,026)	(124,016)
Administrative Expense	(2,099)	(2,993)	(1,874)
Other	(82)	(89)	(97)
Net Change in Plan Fiduciary Net Position	\$ 635,876	\$ 848,178	\$ 188,597
Plan Fiduciary Net Position - Beginning	4,273,899	3,425,721	3,237,124
Plan Fiduciary Net Position - Ending	\$ 4,909,775	\$ 4,273,899	\$ 3,425,721
C. Net Pension Liability	\$ 2,808,103	\$ 2,827,902	\$ 3,048,639
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.62%	60.18%	52.91%
E. Covered Payroll	\$ 1,973,751	\$ 2,065,958	\$ 1,860,662
F. Net Pension Liability as a Percentage of Covered Payroll	142.27%	136.88%	163.85%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$ 205,888	\$ 165,807	\$ 128,659	\$ 108,237
357,395	326,844	262,136	205,116
-	646,960	605,272	-
169,723	65,984	(67,120)	(64,331)
-	-	53,414	-
(155,138)	(96,994)	(62,081)	(37,770)
\$ 577,868	\$ 1,108,601	\$ 920,280	\$ 211,252
5,269,361	4,160,760	3,106,240	2,894,988
\$ 5,847,229	\$ 5,269,361	\$ 4,026,520	\$ 3,106,240
\$ 282,988	\$ 204,547	\$ 137,430	\$ 128,545
103,722	82,164	79,715	72,789
366,634	155,456	3,161	107,125
(155,138)	(96,994)	(62,081)	(37,770)
(1,897)	(1,754)	(1,925)	(1,118)
(96)	(95)	(95)	(92)
\$ 596,213	\$ 343,324	\$ 156,205	\$ 269,479
2,640,911	2,297,587	2,141,381	1,871,902
\$ 3,237,124	\$ 2,640,911	\$ 2,297,586	\$ 2,141,381
\$ 2,610,105	\$ 2,628,450	\$ 1,728,934	\$ 964,859
55.36%	50.12%	57.06%	68.94%
\$ 1,728,698	\$ 1,643,285	\$ 1,719,860	\$ 1,455,779
150.99%	159.95%	100.53%	66.28%

CITY OF DEVINE, TEXAS
 SCHEDULE OF CONTRIBUTIONS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 FOR THE FISCAL YEAR 2021

	2021	2020	2019
Actuarially Determined Contribution	\$ 313,566	\$ 323,515	\$ 338,205
Contributions in Relation to the Actuarially Determined Contributions	(313,566)	(323,515)	(338,205)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,924,511	\$ 1,952,938	\$ 2,069,671
Contributions as a Percentage of Covered Payroll	16.29%	16.57%	16.34%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

	2018	2017	2016	2015
\$	291,567	\$ 262,836	\$ 197,955	\$ 128,545
	(291,567)	(262,836)	(197,955)	(128,545)
\$	-	\$ -	\$ -	-
\$	1,800,908	\$ 1,689,824	\$ 1,719,860	\$ 1,455,779
	16.19%	15.55%	11.51%	8.83%

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CITY OF DEVINE, TEXAS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	FY 2021 Plan Year	FY 2020 Plan Year	FY 2019 Plan Year	FY 2018 Plan Year
Total OPEB Liability				
Service Cost	\$ 5,921	\$ 4,339	\$ 4,466	\$ 3,457
Interest on the Total OPEB Liability	3,732	4,025	3,495	3,424
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	(2,113)	(1,857)	3,231	-
Changes of Assumptions	19,964	20,742	(7,555)	8,086
Benefit Payments*	(790)	(826)	(558)	(346)
Net Change in Total OPEB Liability	26,714	26,423	3,079	14,621
Total OPEB Liability - Beginning	133,149	106,726	103,647	89,026
Total OPEB Liability - Ending	<u>\$ 159,863</u>	<u>\$ 133,149</u>	<u>\$ 106,726</u>	<u>\$ 103,647</u>
Covered Payroll	\$ 1,973,751	\$ 2,065,958	\$ 1,860,662	\$ 1,728,698
Total OPEB Liability as a Percentage of Covered Payroll	8.10%	6.44%	5.74%	6.00%

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

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CITY OF DEVINE, TEXAS
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Valuation Date:

Notes: Actuarially determined contribution rates are calculated as of December 31, and become effective in January, 13 months later.

Methods and assumptions used to determine contribution rates:

Entry Age:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	25 Years
Asset Valuation Method:	10 year smoothed market, 12% soft corridor
Inflation:	2.50%
Salary Increases:	3.50% to 11.50% including inflation
Investment Rate of Return:	6.75%
Retirement Age:	Experience-based table of rates that are specific to the City's plan on benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality:	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUM(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information

Notes: There were no benefit changes during the year

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF DEVINE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021

	201 Lodging Tax Fund	202 TCOLE Fund	203 Unclaimed Property Fund	204 TIF Fund
ASSETS				
Cash and Cash Equivalents	\$ 38,724	\$ 3,698	\$ 122	\$ 15,766
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Accounts Receivable, Net	1,742	-	-	-
Total Assets	\$ 40,466	\$ 3,698	\$ 122	\$ 15,766
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 122	\$ -
Total Liabilities	-	-	122	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Restricted Fund Balance:				
Retirement of Long-Term Debt	-	-	-	-
Other Restricted Fund Balance	40,466	3,698	-	15,766
Total Fund Balances	40,466	3,698	-	15,766
Total Liabilities, Deferred Inflows & Fund Balances	\$ 40,466	\$ 3,698	\$ 122	\$ 15,766

The notes to the financial statements are an integral part of this statement.

205 Home Program Fund	Total Nonmajor Special Revenue Funds	301 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 810	\$ 59,120	\$ 41,590	\$ 100,710
-	-	4,046	4,046
-	-	(405)	(405)
-	1,742	31	1,773
<u>\$ 810</u>	<u>\$ 60,862</u>	<u>\$ 45,262</u>	<u>\$ 106,124</u>
\$ -	\$ 122	\$ -	\$ 122
-	122	-	122
-	-	3,641	3,641
-	-	3,641	3,641
-	-	41,621	41,621
810	60,740	-	60,740
<u>810</u>	<u>60,740</u>	<u>41,621</u>	<u>102,361</u>
<u>\$ 810</u>	<u>\$ 60,862</u>	<u>\$ 45,262</u>	<u>\$ 106,124</u>

CITY OF DEVINE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	201 Lodging Tax Fund	202 TCOLE Fund	203 Unclaimed Property Fund	204 TIF Fund
REVENUES:				
Taxes	\$ 17,675	\$ -	\$ -	\$ 6,205
Intergovernmental Revenue	-	1,136	-	-
Interest Earned	30	4	-	-
Total Revenues	17,705	1,140	-	6,205
EXPENDITURES:				
Administration	4,350	-	-	5,209
Police	-	2,140	-	-
Capital Outlay	-	-	-	323,832
Total Expenditures	4,350	2,140	-	329,041
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,355	(1,000)	-	(322,836)
OTHER FINANCING SOURCES (USES):				
Noncurrent Loans	-	-	-	135,000
Transfers In	-	-	-	92,610
Total Other Financing Sources (Uses)	-	-	-	227,610
Net Change in Fund Balance	13,355	(1,000)	-	(95,226)
Fund Balance - October 1 (Beginning)	27,111	4,698	-	110,992
Fund Balance - September 30 (Ending)	\$ 40,466	\$ 3,698	\$ -	\$ 15,766

The notes to the financial statements are an integral part of this statement.

205 Home Program Fund	Total Nonmajor Special Revenue Funds	301 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ 23,880	\$ 2,325	\$ 26,205
117,379	118,515	-	118,515
-	34	40	74
117,379	142,429	2,365	144,794
117,508	127,067	-	127,067
-	2,140	-	2,140
-	323,832	-	323,832
117,508	453,039	-	453,039
(129)	(310,610)	2,365	(308,245)
-	135,000	-	135,000
-	92,610	-	92,610
-	227,610	-	227,610
(129)	(83,000)	2,365	(80,635)
939	143,740	39,256	182,996
\$ 810	\$ 60,740	\$ 41,621	\$ 102,361

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FEDERAL SECTION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To Honorable Mayor
and Members of the City Council
City of Devine, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Devine, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 18, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Devine, Texas internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Devine, Texas internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Devine, Texas internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Devine, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2021-1.

City's Response to Findings

City of Devine, Texas's response to the findings identified in our engagement is described in the accompanying schedule of findings and questioned costs. City of Devine, Texas's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coleman, Horton and Company, LLP

Uvalde, Texas
February 18, 2022

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CITY OF DEVINE, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES

2021-1 General Fund Budget Over-Expenditures

Condition: As noted in the budgetary comparison schedule, there were several categories that were over-expended for the 2020-2021 budget year.

Criteria: The City needs to ensure that it accounts for all of its expenditures when the City reviews its budget during the year and to determine that it will not spend funds that are not approved by the budget process.

Cause of Condition: Lack of anticipated expenses and revenues in budgetary process.

Effect of Condition: Ineffective accounting guidance and oversight.

Recommendation: The City needs to spend additional time with the budgetary process and anticipate expenditures that the City will be liable for. Careful review of expenditures with amounts approved by Council needs to be updated periodically and budget amendments made as needed to avoid any over-expenditures.

Client Response: The City will take the necessary steps to make sure that the budgetary process is completed on time and additional time will be spent to ensure that all liabilities and expenses are included for budgetary decision-making purposes.